

Testimony of
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Before the COMMISSION ON THE NATIONAL GUARD AND RESERVES

Chairman Punaro and other distinguished Commission members, thank you for the opportunity to present the views of the U.S. Small Business Administration (SBA) for your consideration. The Agency wishes to play its part in ensuring that the National Guard and Reserves are fully supported to best meet the national security requirements of the United States.

You asked me to address three broad areas, including: 1) what do we do to ensure that the relationship between Reserve component employees and their employers stays strong, 2) what current programs could be improved to keep employers apprised of Federal laws and regulations concerning Reserve component members employment, and, 3) what can be done to lessen the impact on a small business of the mobilization of a Reserve component employee? I will attempt to address those three questions in my comments and recommendations.

Overview

According to a 1992 Department of Defense report¹ following the first Gulf War, economic injury can and does occur to self-employed and small business owners who are Reserve component members during Title 10 activations.

The report gave the following findings:

- Approximately 6 percent of mobilized Reserve and National Guard were self-employed (SE);
- Approximately one-third of the SE were Officers, and approximately two-thirds were Enlisted;
- Approximately 17 percent were in the medical related fields;
- Approximately 40 percent of Enlisted were in the construction or mechanical fields;
- Approximately 45 percent of SE Officers lost income, and 55 percent of SE Enlisted lost income;
- More than two-thirds of all SE lost income;
- Eighty percent of SE Officers and 70 percent of SE Enlisted incurred post activation expenses; and

¹ *Effects of Activation in Support of Operations Desert Shield and Desert Storm on Members of the National Guard and Reserve Who Were Self-Employed or Owners of Small Business*, 1992. Report to the Committees on Armed Services of the Senate and House of Representatives.

- Ninety percent of SE Officers and 65 percent of SE Enlisted suffered post activation income losses; and 48 percent of all SE small businesses suffered serious or moderate damage.

The SBA appreciates the hard work that the Commission has engaged in examining the personal and financial consequences of deployment on small business owners and their employees.

Let me address your questions directly:

I. What does SBA do to ensure that the relationship between reserve component employees and their employers stays strong?

The SBA has programs in place to help assist small businesses when the owner is called up to serve.

Outreach and Business Counseling

Following the September 11, 2001 attacks, the SBA created a special Agency working group to coordinate SBA efforts to reach out to, and offer assistance to self employed reservists at risk of economic injury because of activations.

SBA created a special reservists Web page (www.sba.gov/reservists), and met with the Defense Department's Office of the Assistant Secretary for Reserve Affairs (ASRA) to begin coordination of SBA outreach to reservists. This meeting led to our ongoing collaborative efforts with ASRA, ESGR, and others to conduct that outreach.

SBA also has changed our business counseling and training program agreements with our 1100 Small Business Development Centers to specifically target outreach and assistance to individual reserve component small business owners, and to Reserve and Guard Units themselves.

The Agency's second-largest business counseling program, SCORE, has created special on-line business counseling and mentoring assistance for reserve component members, and some local SCORE Chapters have undertaken special initiatives targeted to reservists. The SBA Office of Veterans Business Development changed the agreements with the 5 Veterans Business Outreach Centers to include reserve component members as a target for outreach and assistance, and the SBA's District Office-Veterans Outreach Initiative (DO-VOI) includes reserve component members.

Military Reservist Economic Injury Disaster loan Program (MREIDL)

The purpose of the Military Reservist Economic Injury Disaster Loan program (MREIDL) is to provide funds to eligible small businesses to meet its ordinary and necessary operating expenses that it could have met, but is unable to meet, because an essential employee was "called-up" to active duty in their role as a military reservist.

To be eligible for MREIDL, a small business must suffer economic injury during the activation of the essential employee, and the proceeds of the loan may be used to:

- Meet obligations as they occur;
- Pay ordinary and necessary operating expenses (working capital); and
- Enable the business to market, produce, or provide its normal goods/services that cannot be provided due to the call up of the essential employee.

Since August 2001, the SBA has approved 272 MREIDL loans for a total of \$24,712,000, or an average of approximately \$91,000 each. The web site for the MREIDL program is www.sba.gov/disaster_recov/loaninfo/militaryreservist.html.

II. What Current Programs Could Be Improved to Keep Employers Appraised of Federal Laws and Regulations Concerning Reserve Component Members Employment?

Since 2001, SBA has produced and distributed more than 400,000 SBA Reserve and Guard Fact Sheets, along with developing and distributing more than 40,000 Reserve and Guard Comprehensive Business Planning Kits.

SBA has provided testimony to Congress on numerous occasions and has worked to coordinate our outreach activity with SBA programs and partners, the Departments of Defense, Labor and Veterans Affairs.

While improved services are being delivered to veterans, reservists and discharging service members in most of SBA's core programs, Administrator Preston and Deputy Administrator Carranza have tasked each program office at SBA with reviewing their programs and how they support veterans' small business success. We are identifying additional or more specific steps that every program can take to better deliver SBA assistance to veterans, reservists, discharging service members, and family members.

III. What can be done to lessen the impact on a small business of the mobilization of a reserve component employee?

The SBA will improve its outreach efforts to help ensure that small businesses know about the assistance available should the owner or key employee be mobilized. The Agency will examine its programs, especially MREIDL, to determine if application procedures could be improved given the often short notice activated Reservists and National Guard members receive.

SBA Recommendations for consideration by the Commission:

1. Consider examining whether policies and practices among our NATO allies, Japan or Australia supporting activated self-employed reservists or for their reservists' employers

(if any exist or are applicable) could guide future policy discussions. As an example, Great Britain revamped their Financial Assistance Regulations and programs for self-employed Reservists and employers in 2005. It would be useful to examine if that experience has any applicability to the United States.

2. Consider how to better coordinate existing efforts among Federal Departments and Agencies to improve outreach and service delivery to Reservist-owned small businesses and employees that are activated. The SBA is proud to play its role in supporting these efforts.

The SBA is grateful to the men and women who serve this country with distinction and often at great personal sacrifice. In cooperation with our Federal partner Agencies, we welcome the opportunity to assist small business owners and their employees who face financial challenges when called up to serve our country.

I welcome any questions you may have.